

MINUTES
AUDIT SUBCOMMITTEE
OF THE
LEGISLATIVE MANAGEMENT COMMITTEE

The Audit Subcommittee of the Legislative Management Committee met in Room 220, Senate Building, Salt Lake City, Utah, Tuesday, August 26, 2014, from 4:15 p.m. to 6:45 p.m.

Committee Members Present: President Wayne Niederhauser, Co-Chairman
Speaker Rebecca Lockhart, Co-Chairman
Senator Gene Davis

Excused Representative Jennifer Seelig

Legislative Audit Staff: John Schaff, Auditor General
Rick Coleman, Deputy Auditor General
Tim Osterstock, Audit Manager
Darin Underwood, Audit Manager
Lynda Maynard, Recording Secretary
Lauri Felt, Legis Secretary
David Gibson, Audit Supervisor
Brian Dean, Audit Supervisor
Jake Dinsdale, Perf Auditor
Matthew Harvey, Sr. Perf Auditor
Kade Minchey, Audit Supervisor
August Lehman, Sr. Perf Auditor
Matthias Boone, Perf Auditor
Jake Dinsdale, Sr. Perf Auditor

Other Interested Parties: Bret Jepsen, Managing Director, Ut Fund of Funds
Scott Peterson, UCIC Chair, Ut Fund of Funds
Bob Majka, UCIB Chair, Ut Fund of Funds
Richard Pugmire, Fund Alloc Mgr, Ut Fund of Funds
Rep Greg Hughes, Chair, UTA Board
Michael Allegra, General Manager, UTA
Bruce Jones, UTA
Troy Walker, UTA Board
Robert Biles, CFO, UTA
Linda Johnson, Breathe Utah
Claire Geddes, Consumers Advocate
Van Hale, GOED
Robert Boyd, *Fox 13*
Doug Flagler, *KSTU TV13*
Lee Davidson, *SL Tribune*
Chris Jones, *2News*
Others as Listed

1. Call to Order

President Niederhauser called the meeting to order at 4:15 p.m.

2. Approval of Minutes

Motion: Speaker Lockhart made a motion that the minutes from June 24, 2014 Audit Subcommittee meeting be approved. The motion passed unanimously.

3a. A Performance Audit of the Utah Fund of Funds (Report #2014-08)

Presented by: Brian Dean, Audit Supervisor

Discussion following Presentation

Bret Jepsen, Managing Director, Utah Fund of Funds responded to the audit and told the Subcommittee that it has been helpful to have extra eyes on their policies and procedures and has helped him craft the necessary procedures; also, that they agree with the need for no more debt-based financing and the need to simplify their Annual Report to explain clearly how they arrive at their numbers.

Scott Peterson, UCIC Board Chair, Ut Fund of Funds, said that as a Board they are trying to manage the following two requirements: 1) a profitable return and 2) to bring the investments of the State of Utah and they will have policies and procedures in place no matter how minor they are.

Richard Pugmire, Fund Alloc Mgr, Ut Fund of Funds, said his role is working for LP Capital Advisors who are the fund allocation managers that work on the investment side of the Utah Fund of Funds and they have been working since 2008 to diversify the portfolio in order to reduce the risk of the tax credit to the State and it has worked out to this point.

Motion: Speaker Lockhart made a motion that the **Performance Audit of the Utah Fund of Funds (Report #2014-08)**, be referred to the Business, Economic Development and Labor Appropriations Subcommittee, the Economic Development and Workforce Services Interim Committee and the Retirement and Independent Entities Appropriations, Standing and Interim Committees. The motion passed unanimously.

3b. A Performance Audit of the Utah Transit Authority (UTA) (Report #2014-06)

Presented by: Kade Minchey, Audit Supervisor

Discussion following Presentation

Representative Greg Hughes, Chair, UTA Board, addressed the concerns the audit presented. Mr. Hughes said that UTA appreciated the auditors work which helps UTA progressively get better and find areas of improvement.

Representative Hughes discussed the following:

- UTA wants to maximize as much density around their platforms and infrastructures as possible
- UTA is a transit authority with a growing population and needs to take advantage of best practices
- The findings in the audit reflect areas where UTA can do a better job more efficiently
- Concerns of segregation of duties are being addressed
- UTA believes there is a thorough examination report that can be done in terms of compensation comparing different transit authorities, and
- As a board, UTA has reduced bonuses

Michael Allegra, General Manager/CEO, Utah Transit Authority (UTA), concluded the discussion by telling the subcommittee that:

- UTA has made changes to their compensation policies and will include total compensation
- UTA has modified their incentive programs
- UTA has a 30-year plan that is continuously updated, reviewed and modified
- UTA has been increasing mileage, service and ridership and lowering operating costs
- UTS' goal is to stimulate and motivate the private sector, the business community and the local communities to invest in their efforts.

Motion: Speaker Lockhart made a motion that the **Performance Audit of the Utah Transit Authority (UTA)** (Report #2014-06), be referred to Transportation Interim Committee and the Executive Appropriations Committee. The motion passed unanimously.

3c. A Performance Audit of Interlocal Entities (Report #2014-07)

Note: Audit was not presented in the Subcommittee Meeting but copies were available to the public.

Motion: Speaker Lockhart made a motion that the **A Performance Audit of Interlocal Entities** (Report #2014-07), be referred to Business and Labor Interim Subcommittee. The motion passed unanimously.

4. New Audit Request

John Schaff, Auditor General, presented the new request for an audit of the Department of Financial Institutions explaining that the requestor is asking for the Auditor General's Office to look at the accuracy of the assessments and oversights of the controls for the pay-day lending programs.

Also, Mr. Schaff explained that the Legislative Auditor General's Office was written into **Code** after the USTAR audit presented in 2013 and they were to either prioritize an audit for the office to do or find an independent auditor to do the work. Since the office was unable to find an independent auditor without a conflict of interest, the Auditor General's Office would like the Committee to approve an audit that would validate USTAR's numbers that go into their annual report and follow up on previous recommendations.

Motion: Speaker Lockhart made a motion that the request for an audit of USTAR to verify USTAR's annual report numbers and follow up on recommendations be approved. The motion was passed unanimously.

5. Other Business

John Schaff addressed the recent concerns of having our "Embargoed" audit reports released prior to the Audit Subcommittee Meeting where they are being presented. John believes there may have been some confusion on the wording and the media believed they were authorized to release the audit reports earlier than was allowed. He said that he would contact the media outlets and those who received "Embargo" copies to find out what caused this problem.

President Niederhauser asked John to report back to the audit subcommittee at their next meeting to share his findings.

5. Adjournment

President Niederhauser adjourned the meeting at 6:45pm